

## Message Text

CONFIDENTIAL

PAGE 01 QUITO 01450 082023Z  
ACTION ARA-14

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 DOE-11 H-01 INR-10 INT-05  
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07  
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 /122 W  
-----021137 090813Z /14

R 081900Z MAR 78  
FM AMEMBASSY QUITO  
TO SECSTATE WASHDC 7541

CONFIDENTIAL QUITO 1450

E.O. 11652: GDS  
TAGS: BENC,ENRG,EC  
SUBJECT: GOE ADMITS NEED TO CONTINUE LARGE-SCALE IMPORTS OF  
REFINED PETROFUELS

REF: QUITO 0816

BEGIN CONFIDENTIAL:  
BEGIN SUMMARY: AFTER NUMEROUS PUBLIC DECLARATIONS BY  
SENIOR GOE OFFICIALS THAT THE RECENT INAUGURATION OF THE  
STATE OIL CORPORATION'S (CEPE'S) REFINERY AT ESMERALDAS  
WOULD MAKE ECUADOR VIRTUALLY SELF-SUFFICIENT IN PETRO-  
FUELS STARTING THIS YEAR, THE GOE HAS CONCEDED THAT LARGE-  
SCALE IMPORTS OF PETROFUELS WILL BECOME NECESSARY AGAIN  
STARTING THIS MID-YEAR. IN FACT, SUBSTANTIAL IMPORTS OF  
PETROFUELS ARE ALREADY BEING MADE, BUT HAVE NOT BEEN RE-  
PORTED IN THE PRESS. THE NEED TO CONTINUE SUCH IMPORTS  
ARISES MAINLY FROM POOR PLANNING AND POOR ADMINISTRATION  
BY CEPE, AND IS FURTHER TARNISHING CEPE'S ALREADY-DEVAS-  
TATED PRESTIGE. END SUMMARY END CONFIDENTIAL

BEGIN UNCLASSIFIED:  
1. RECENT PRESS ARTICLES HAVE HIGHLIGHTED THE NEED FOR  
THE GOE TO IMPORT REFINED PETROFUELS STARTING THE MIDDLE  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 QUITO 01450 082023Z

OF 1978, DESPITE THE INAUGURATION OF THE STATE ESMERAL-  
DAS REFINERY ONLY A SHORT TIME AGO.

2. GENERAL EDUARDO SEMBLANTES, MINISTER OF NATURAL  
RESOURCES, SUBSEQUENTLY CONFIRMED THAT THE ESMERALDAS  
REFINERY WOULD NOT BE ABLE TO SUPPLY ENOUGH REFINED PRO-  
DUCTS TO AVOID HEAVY NEW IMPORTS BY MID-1978. HE STATED

THAT CONSTRUCTION OF A 15,000 BPD EXPANSION OF THE REFINERY WOULD BEGIN SHORTLY, ALONG WITH CONSTRUCTION OF THE FINAL MARITIME TERMINAL FACILITIES FOR THE DISTRIBUTION OF PRODUCTS.

3. OTHER PRESS REPORTS STATE THAT THE PROJECT FOR EXPANDING THE REFINERY'S CAPACITY WILL COST \$35 MILLION AND IS TO BE CARRIED OUT OVER A SIX-MONTH PERIOD.

4. THE MINISTER ALSO ANNOUNCED THAT, IN ORDER TO HELP REDUCE THE DEMAND FOR REFINED PRODUCTS, INECEL (THE STATE ELECTRIFICATION INSTITUTE) HAS AGREED TO DEVOTE MORE RESOURCES TO HYDROELECTRIC RATHER THAN THERMAL PROJECTS. WHERE IT IS NECESSARY TO INSTALL A THERMAL UNIT, INECEL IS EXPECTED TO ATTEMPT TO BURN RESIDUAL FUELS, BECAUSE UNDER CURRENT GOE STRICTURES AN EXCEPTIONALLY HIGH PERCENTAGE OF THE DERIVATIVES REFINED IN ECUADOR ARE OF THIS NATURE. END UNCLASSIFIED

BEGIN CONFIDENTIAL

COMMENT: 5. SINCE CEPE TOOK OVER FULL MARKETING OF PETROFUELS LATE LAST SUMMER THERE HAVE BEEN RECURRENT GASOLINE SHORTAGES, THE BLAME FOR WHICH HAS RIGHTLY BEEN LAID ON CEPE'S DOORSTEP BY THE PUBLIC AND THE PRESS. THIS ADMISSION BY THE GOE THAT SELF-SUFFICIENCY IN PETROFUELS WILL NOT BE ATTAINED THIS YEAR, AS PREVIOUSLY ASSERTED, IS ANOTHER CONFIDENTIAL

CONFIDENTIAL

PAGE 03 QUITO 01450 082023Z

BLOW TO CEPE'S PRESTIGE. "EL COMERCIO", THE LEADING QUITO DAILY, EDITORIALY ATTACKED THIS LATEST EXAMPLE OF POOR FORESIGHT, AND QUESTIONED WHETHER THE GOE WOULD ACTUALLY MOVE WITH SUFFICIENT HASTE TO AUGMENT THE CAPACITY OF THE REFINERY.

6. THE STATED EXPANSION OF 15,000 BPD IS LESS THAN THE PLANNED 25,000 BPD EXPANSION REPORTED IN REFTTEL. CEPE EVIDENTLY HAS NOT YET DECIDED WHICH OF SEVERAL ALTERNATIVES TO OPT FOR.

7. CURIOUSLY, NONE OF THE PRESS ARTICLES REPORTED THAT THE COUNTRY IS CURRENTLY IMPORTING REFINED PRODUCTS. THIS SHORTAGE IS NOT CAUSED BY ANY LACK OF REFINERY CAPACITY TO MEET THE COUNTRY'S DAILY CONSUMPTION ESTIMATED AT 63,000 BPD IN 1977, BUT RATHER BY A COMBINATION OF MISCALCULATIONS. THE ESMERALDAS REFINERY, WITH A THEORETICAL CAPACITY OF 55,600 BPD, CAN ONLY PRODUCE AT ABOUT 50 TO 60 PERCENT OF CAPACITY, DUE TO THE GOE'S SCANDAL-RIDDEN DELAYS IN CONSTRUCTING DISTRIBUTION SYSTEMS FOR THE PRODUCTS. A TEMPORARY MARITIME TERMINAL WAS COMPLETED LAST NOVEMBER, BUT A MORE PERMANENT FACIL-

ITY IS REQUIRED FOR GREATER CAPACITY UTILIZATION OF THE REFINERY. FOR LAND DISTRIBUTION, THE CONTRACT TO BUILD THE REFINED PRODUCTS PIPELINE FROM ESMERALDAS TO QUITO HAS NOT BEEN AWARDED YET, ALTHOUGH A DECISION IS EXPECTED MOMENTARILY. EVEN IF THE REFINERY COULD BE EXPANDED BY 15,000 BPD WITHIN A SIX-MONTH PERIOD, IT WOULD NOT BE POSSIBLE TO UTILIZE THIS ADDED CAPACITY UNLESS A MORE PERMANENT MARITIME FACILITY WAS COMPLETED AT THE SAME TIME.

8. THE TWO OTHER MAJOR REFINERIES IN THE COUNTRY, ANGLO AND GULF, WITH THEORETICAL REFINING CAPACITIES OF 37,000 BPD AND 8,000 BPD, RESPECTIVELY, WERE DESIGNED TO OPERATE ON AN IMPORTED MIX OF PETROLEUM. AS A RESULT  
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 QUITO 01450 082023Z

OF THE PREMATURE GOE DECISION IN THE LATE SUMMER OF 1977 TO FORBID THE IMPORTATION OF THESE MIXES, PRODUCTION AT THESE REFINERIES, USING STRICTLY ECUADOREAN CRUDE, FELL TO 30,000 BPD AND 6,000 BPD, REDUCING THE COUNTRY'S REFINING CAPACITY BY 9,000 BPD. DUE TO THE NATURE OF ECUADOREAN CRUDE, A HIGH PERCENTAGE OF ANGLO'S AND GULF'S PRODUCTION IS HEAVY RESIDUALS WHICH CANNOT BE TOTALLY CONSUMED IN THE COUNTRY. THUS THESE REFINERIES EXPORT SOME OF THEIR OUTPUT, WHILE CEPE CONTINUES TO IMPORT LIGHTER REFINED PRODUCTS. END CONFIDENTIAL  
CORR

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PRESS COMMENTS, IMPORTS, PETROLEUM, FUEL OIL, PETROLEUM PRODUCTION, PETROLEUM REFINING  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 08 mar 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978QUITO01450  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780105-1193  
**Format:** TEL  
**From:** QUITO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780393/aaaadaks.tel  
**Line Count:** 147  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 85c097cb-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION ARA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 24 jun 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3404255  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GOE ADMITS NEED TO CONTINUE LARGE-SCALE IMPORTS OF  
**TAGS:** BENC, ENRG, ETRD, SOPN, EC  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/85c097cb-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014